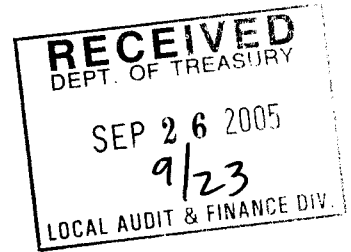


TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Tekonsha	County Calhoun
Audit Date March 31, 2005	Opinion Date May 19, 2005	Date Accountant Report Submitted to State: September 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised 2005.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

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INDEPENDENT AUDITOR'S REPORT

May 19, 2005

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Tekonsha, Calhoun County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Tekonsha, Calhoun County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Tekonsha covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$889,309.68 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$251,955.60 from governmental activities. Governmental activities had a \$7,523.47 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Library Fund, the Cemetery Perpetual Care Fund, the Agency Fund, and the Current Tax Collection Fund.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Library Fund, and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$167,076.14.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 517-767-3366, or P.O. Box 91, Tekonsha, Michigan 49092.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	427 686 37
Taxes receivable	<u>14 775 06</u>
Total Current Assets	<u>442 461 43</u>
NON-CURRENT ASSETS:	
Capital Assets	682 000 00
Less: Accumulated Depreciation	<u>(233 233 32)</u>
Total Non-current Assets	<u>448 766 68</u>
TOTAL ASSETS	<u><u>891 228 11</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 918 43</u>
Total Current Liabilities	<u>1 918 43</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 918 43</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	448 766 68
Reserved for cemetery	470 00
Unrestricted	<u>440 073 00</u>
Total Net Assets	<u>889 309 68</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>891 228 11</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	28 564 69	-	(28 564 69)
General government	81 658 17	30 761 82	(50 896 35)
Public safety	76 791 07	7 916 30	(68 874 77)
Public works	4 986 74	778 71	(4 208 03)
Culture and recreation	52 431 46	6 416 52	(46 014 94)
Total Governmental Activities	<u>244 432 13</u>	<u>45 873 35</u>	<u>(198 558 78)</u>
General Revenues:			
Property taxes			120 102 14
State revenue sharing			72 486 39
Interest			2 492 92
Miscellaneous			<u>11 000 80</u>
Total General Revenues			<u>206 082 25</u>
Change in net assets			7 523 47
Net assets, beginning of year			<u>881 786 21</u>
Net Assets, End of Year			<u>889 309 68</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	369 297 10	57 919 27	470 00	427 686 37
Taxes receivable	<u>10 393 57</u>	<u>4 381 49</u>	<u>-</u>	<u>14 775 06</u>
Total Assets	<u><u>379 690 67</u></u>	<u><u>62 300 76</u></u>	<u><u>470 00</u></u>	<u><u>442 461 43</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>1 918 43</u>	<u>-</u>	<u>-</u>	<u>1 918 43</u>
Total liabilities	<u><u>1 918 43</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1 918 43</u></u>
Fund equity:				
Fund balances:				
Reserved for cemetery	-	-	470 00	470 00
Unreserved:				
Undesignated	<u>377 772 24</u>	<u>62 300 76</u>	<u>-</u>	<u>440 073 00</u>
Total fund equity	<u><u>377 772 24</u></u>	<u><u>62 300 76</u></u>	<u><u>470 00</u></u>	<u><u>440 543 00</u></u>
Total Liabilities and Fund Equity	<u><u>379 690 67</u></u>	<u><u>62 300 76</u></u>	<u><u>470 00</u></u>	<u><u>442 461 43</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	440 543 00
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	682 000 00
Accumulated depreciation	<u>(233 233 32)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>889 309 68</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	73 397 59	46 704 55	-	120 102 14
Licenses and permits	9 925 13	-	-	9 925 13
State revenue sharing	69 928 14	2 558 25	-	72 486 39
Penal fines	-	6 416 52	-	6 416 52
Charges for services - PTAF	16 943 49	-	-	16 943 49
Charges for services - cemetery	11 809 50	-	-	11 809 50
Interest	2 164 01	328 91	-	2 492 92
Special assessments	778 71	-	-	778 71
Miscellaneous	<u>3 971 31</u>	<u>6 988 29</u>	<u>41 20</u>	<u>11 000 80</u>
Total revenues	<u>188 917 88</u>	<u>62 996 52</u>	<u>41 20</u>	<u>251 955 60</u>
Expenditures:				
Legislative:				
Township Board	28 564 69	-	-	28 564 69
General government:				
Supervisor	6 264 59	-	-	6 264 59
Elections	5 826 42	-	-	5 826 42
Assessor	13 196 73	-	-	13 196 73
Clerk	9 652 34	-	-	9 652 34
Board of Review	606 58	-	-	606 58
Treasurer	10 520 57	-	-	10 520 57
Building and grounds	4 486 07	-	41 20	4 527 27
Cemetery	19 884 94	-	-	19 884 94
Tax roll	1 645 40	-	-	1 645 40
Public safety:				
Fire protection	49 719 67	-	-	49 719 67
Planning and zoning	4 319 40	-	-	4 319 40
Protective inspection	7 402 00	-	-	7 402 00
Public works:				
Drains	4 186 31	-	-	4 186 31
Street lights	800 43	-	-	800 43
Culture and recreation:				
Library	<u>-</u>	<u>52 431 46</u>	<u>-</u>	<u>52 431 46</u>
Total expenditures	<u>167 076 14</u>	<u>52 431 46</u>	<u>41 20</u>	<u>219 548 80</u>
Excess of revenues over expenditures	21 841 74	10 565 06	-	32 406 80
Fund balances, April 1	<u>355 930 50</u>	<u>51 735 70</u>	<u>470 00</u>	<u>408 136 20</u>
Fund Balances, March 31	<u>377 772 24</u>	<u>62 300 76</u>	<u>470 00</u>	<u>440 543 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 32 406 80

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(24 883 33)
Capital Outlay	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>7 523 47</u>
---	-----------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tekonsha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.8625 mills, and the taxable value was \$37,480,111.00.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-30 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$448,766.68.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>432,530.29</u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	204 595 45
Uninsured and Uncollateralized	<u>234 448 67</u>
Total Deposits	<u><u>439 044 12</u></u>

The Township of Tekonsha did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	10 000 00	-	-	10 000 00
Buildings	280 000 00	-	-	280 000 00
Equipment	<u>392 000 00</u>	<u>-</u>	<u>-</u>	<u>392 000 00</u>
Total	682 000 00	-	-	682 000 00
Accumulated Depreciation	<u>(208 349 99)</u>	<u>(24 883 33)</u>	<u>-</u>	<u>(233 233 32)</u>
Net Capital Assets	<u><u>473 650 01</u></u>	<u><u>(24 883 33)</u></u>	<u><u>-</u></u>	<u><u>448 766 68</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$7,916.30 and building permit expenses of \$7,402.00.

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	31 000 00	31 000 00	73 397 59	42 397 59
Licenses and permits	14 000 00	14 000 00	9 925 13	(4 074 87)
State revenue sharing	60 000 00	44 000 00	69 928 14	25 928 14
Charges for services – PTAF	12 000 00	12 000 00	16 943 49	4 943 49
Charges for services – cemetery	4 000 00	4 000 00	11 809 50	7 809 50
Interest	2 000 00	2 000 00	2 164 01	164 01
Special assessments	8 000 00	3 000 00	778 71	(2 221 29)
Miscellaneous	3 000 00	1 000 00	3 971 31	2 971 31
Total revenues	<u>134 000 00</u>	<u>111 000 00</u>	<u>188 917 88</u>	<u>77 917 88</u>
Expenditures:				
Legislative:				
Township Board	27 440 00	37 970 00	28 564 69	(9 405 31)
General government:				
Supervisor	6 355 00	6 355 00	6 264 59	(90 41)
Elections	10 000 00	12 700 00	5 826 42	(6 873 58)
Assessor	14 700 00	14 700 00	13 196 73	(1 503 27)
Clerk	9 775 00	10 175 00	9 652 34	(522 66)
Board of Review	700 00	700 00	606 58	(93 42)
Treasurer	10 650 00	10 650 00	10 520 57	(129 43)
Building and grounds	4 000 00	4 500 00	4 486 07	(13 93)
Cemetery	26 650 00	26 650 00	19 884 94	(6 765 06)
Tax roll	1 500 00	2 300 00	1 645 40	(654 60)
Public safety:				
Fire protection	50 526 00	50 526 00	49 719 67	(806 33)
Planning and zoning	6 600 00	7 570 00	4 319 40	(3 250 60)
Protective inspection	-	7 500 00	7 402 00	(98 00)
Public works:				
Drains	5 000 00	5 000 00	4 186 31	(813 69)
Street lights	57 400 00	1 100 00	800 43	(299 57)
Contingency	10 000 00	10 000 00	-	(10 000 00)
Total expenditures	<u>241 296 00</u>	<u>208 396 00</u>	<u>167 076 14</u>	<u>(41 319 86)</u>
Excess (deficiency) of revenues over expenditures	(107 296 00)	(97 396 00)	21 841 74	119 237 74
Fund balance, April 1	<u>107 296 00</u>	<u>97 396 00</u>	<u>355 930 50</u>	<u>258 534 50</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>377 772 24</u>	<u>377 772 24</u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	35 000 00	35 000 00	46 704 55	11 704 55
State revenue sharing	1 500 00	1 500 00	2 558 25	1 058 25
Penal fines	7 000 00	7 000 00	6 416 52	(583 48)
Interest	500 00	500 00	328 91	(171 09)
Miscellaneous	2 000 00	2 000 00	6 988 29	4 988 29
Total revenues	46 000 00	46 000 00	62 996 52	16 996 52
Expenditures:				
Culture and recreation:				
Library	82 000 00	82 000 00	52 431 46	(29 568 54)
Total expenditures	82 000 00	82 000 00	52 431 46	(29 568 54)
Excess (deficiency) of revenues over expenditures	(36 000 00)	(36 000 00)	10 565 06	46 565 06
Fund balance, April 1	36 000 00	36 000 00	51 735 70	15 735 70
Fund Balance, March 31	-	-	62 300 76	62 300 76

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:

Salaries	2 035 49
Supplies	1 434 98
Audit and legal	9 479 82
Printing and publishing	1 553 30
Payroll taxes	866 69
Insurance	9 011 00
Memberships and dues	697 58
Miscellaneous	3 485 83
	<u>28 564 69</u>

Supervisor:

Salary	5 952 04
Miscellaneous	312 55
	<u>6 264 59</u>

Elections:

Wages	2 714 50
Professional services	915 19
Supplies	1 816 00
Printing and publishing	380 73
	<u>5 826 42</u>

Assessor:

Contracted services	11 870 04
Miscellaneous	1 326 69
	<u>13 196 73</u>

Clerk:

Salary	9 140 47
Miscellaneous	511 87
	<u>9 652 34</u>

Board of Review:

Miscellaneous	606 58
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Treasurer:

Salary	10 420 04
Miscellaneous	100 53
	<u>10 520 57</u>

Building and grounds:

Operating	4 486 07
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Cemetery:

Salaries	600 00
Contracted services	18 841 79
Miscellaneous	443 15
	<u>19 884 94</u>

Tax roll:

Supplies	516 40
Miscellaneous	1 129 00
	<u>1 645 40</u>

Fire protection:

Contracted services	49 719 67
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TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Planning and zoning	<u>4 319 40</u>
Protective inspection	<u>7 402 00</u>
Drains at large	<u>4 186 31</u>
Street lighting: Utilities	<u>800 43</u>
Total Expenditures	<u><u>167 076 14</u></u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2005

Revenues:

Property taxes	46 704 55
State revenue sharing	2 558 25
Penal fines	6 416 52
Interest	328 91
Miscellaneous	<u>6 988 29</u>

Total revenues	<u>62 996 52</u>
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Expenditures:

Culture and recreation:

Library:

Salaries	14 212 31
Books	7 399 91
Payroll taxes	1 924 95
Rent	21 027 50
Repairs and maintenance	839 76
Supplies	723 70
Dues	852 42
Utilities	4 026 15
Miscellaneous	<u>1 424 76</u>

Total expenditures	<u>52 431 46</u>
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Excess of revenues over expenditures	10 565 06
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Fund balance, April 1	<u>51 735 70</u>
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Fund Balance, March 31	<u><u>62 300 76</u></u>
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TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2005

	Cemetery Perpetual Care
<u>Assets</u>	
Cash in bank	470 00
Total Assets	<u>470 00</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	-
Fund balances:	
Reserved	470 00
Total Liabilities and Fund Balances	<u>470 00</u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

	<u>Cemetery Perpetual Care</u>
Revenues:	
Miscellaneous	<u>41 20</u>
Total revenues	<u>41 20</u>
Expenditures – Cemetery	<u>41 20</u>
Excess of revenues over expenditures	-
Fund balance, April 1	<u>470 00</u>
Fund Balance, March 31	<u><u>470 00</u></u>

TOWNSHIP OF TEKONSHA
Calhoun County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	-	1 246 515 06	1 246 515 06	-
<u>Liabilities</u>				
Due to other funds	-	114 452 40	114 452 40	-
Due to other units	-	1 132 062 66	1 132 062 66	-
Total Liabilities	-	1 246 515 06	1 246 515 06	-
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	3 475 07	12 556 28	11 187 43	4 843 92
<u>Liabilities</u>				
Due to other funds	-	1 010 06	1 010 06	-
Due to other units	3 475 07	11 546 22	10 177 37	4 843 92
Total Liabilities	3 475 07	12 556 28	11 187 43	4 843 92
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	3 475 07	1 259 071 34	1 257 702 49	4 843 92
<u>Liabilities</u>				
Due to other funds	-	115 462 46	115 462 46	-
Due to other units	3 475 07	1 143 608 88	1 142 240 03	4 843 92
Total Liabilities	3 475 07	1 259 071 34	1 257 702 49	4 843 92

CAMPBELL, KUSTERER & CO., P.C.

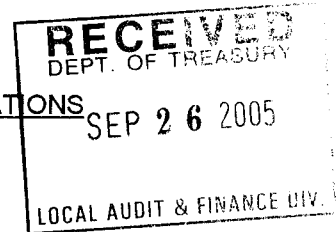
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



May 19, 2005

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Township of Tekonsha for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Tekonsha began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Tekonsha
Calhoun County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants